



FEMA

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Disaster News

New Katrina Tax Bill Helps Residents with Losses

MONTGOMERY, AL.— For Alabamians who suffered losses in Hurricane Katrina, there may be tax relief on the horizon, federal and state recovery officials said today.

Because of a special Hurricane Katrina relief bill enacted by Congress and signed into law on Sept. 23, Katrina-impacted taxpayers in disaster-declared counties no longer have to deduct 10 percent of their adjusted gross income and a \$100 deductible to claim disaster losses on their federal taxes.

Under the legislation, Katrina victims who itemize deductions will be able to claim their entire disaster loss, minus any insurance payments or other reimbursements. Some tax filers may find that hurricane losses enable them to itemize deductions when they might not have otherwise qualified to do so.

The new law also:

- Allows Katrina victims to withdraw up to \$100,000 without tax penalties from certain retirement accounts, such as 401(k) plans and Individual Retirement Accounts, to pay for disaster-related needs.
- Suspends limits on individual cash contributions made to qualified charities beginning August 28, 2005 through Dec. 31, 2005.
- Provides a tax benefit for people who volunteer to take in Katrina victims, a \$500 deduction for each person they house for at least six months, up to a cap of \$2,000.

“We want everyone who suffered a loss to get the maximum benefits available. Having your taxes reduced is one of those benefits,” said Mike Bolch, FEMA’s senior deputy federal coordinating officer for the Alabama recovery.

“The U.S. Internal Revenue Service (IRS) allows people in federally-declared counties with casualty losses from the disaster to claim this year’s losses on last year’s tax return, or to amend last year’s return if it’s already been filed,” said Dan Boone, media specialist for the IRS for Alabama. “This can give you a quicker refund than filing the loss with your 2005 tax return. However, waiting to claim the loss on this year’s return might result in a greater tax saving, depending on other income factors.”

To see how the law applies to their situation, people in Alabama should see a tax consultant or talk with the IRS for specifics. More information is available online at www.irs.gov and at the Congressional Joint Committee on Taxation website, www.house.gov/jct.

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People who have registered for disaster assistance by calling toll-free 800-621-3362 or (TTY) 800-462-7585 can talk with an IRS representative at any of the fixed-site Disaster Recovery Centers (DRCs) set up in Alabama to help Katrina victims. Mobile DRCs are unable to offer IRS service staff.

The IRS also has established a toll-free hotline for hurricane victims at 866-562-5227 which operates from 7 a.m. to 10 p.m. Monday through Friday. There, callers can find out about available tax relief, get free copies of their tax return transcripts and receive disaster tax loss kits. To calculate a federal casualty loss deduction, go to the IRS website at www.irs.gov or read IRS Publication 547, "Casualties, Disasters and Thefts."

For Alabama income taxes, Hurricane Katrina losses must be claimed on 2005 tax returns, according to the Alabama Department of Revenue. The state has allowed extension of tax payments that were due this month to Jan. 3, 2006, for individual and corporate income tax, income tax withholding payments, and business privilege taxes.

Damage from Hurricane Katrina won't affect this year's Alabama property tax bills because assessments mailed out this month were based on the condition of property on Oct. 1, 2004. Any reduction in assessments for Katrina's damage will come in next year's tax bills.

The federal disaster tax program is available automatically to taxpayers living in ten counties declared eligible for individual assistance. Those counties are Baldwin, Choctaw, Clarke, Greene, Hale, Mobile, Pickens, Sumter, Tuscaloosa and Washington.

Taxpayers in 12 additional counties, declared eligible for FEMA-state infrastructure reimbursement, also qualify for certain tax relief benefits if they identify themselves to the IRS as Katrina victims. Those counties are Bibb, Colbert, Cullman, Jefferson, Lamar, Lauderdale, Marengo, Marion, Monroe, Perry, Wilcox and Winston.

FEMA prepares the nation for all hazards and manages federal response and recovery efforts following any national incident. FEMA also initiates mitigation activities, trains first responders, works with state and local emergency managers, and manages the National Flood Insurance Program and the U.S. Fire Administration. FEMA became part of the U.S. Department of Homeland Security on March 1, 2003.

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